

MANUFACTURING EXTENSION PARTNERSHIP

Success Stories from the Field

DIAB Inc.

Texas Manufacturing Assistance Center

DIAB Capitalizes on Federal R&D Tax Credit

Client Profile:

DIAB, Inc. is one of world's largest manufacturers of structural core materials supplying a wide range of markets including marine, wind energy, transportation, aerospace and industry. The company has pioneered the use of the sandwich concept to make structures that are significantly lighter and stronger than those made from steel, aluminum and wood. DIAB has manufacturing facilities on four continents and three research and development centers. In addition, it has 17 operating subsidiaries and strategically located distributors around the world so that it can offer close support to its global customer base. The company employs 140 people at its facility in Desoto, Texas.

Situation:

DIAB has made significant investments in becoming the technology leader in its field that qualify for the IRS R&D Tax Credit. DIAB was instrumental in introducing core kits to enable its customers to speed their fabrication processes, improve quality, reduce inventory levels and cut waste. It has also been in the vanguard of new environment-friendly processing developments such as DIAB Core Infusion Technology. In addition to product R&D, DIAB also has invested in process improvements. DIAB has also made significant investments in learning and successfully implementing Lean Six Sigma principles and practices. This investment also qualifies for the tax credit.

Solution:

The Texas Manufacturing Assistance Center (TMAC), a NIST MEP network affiliate, notified DIAB's Controller that both the R&D and Lean-Six Sigma process improvement activities qualify for the R&D Tax Credit from the IRS. The credit was enacted in 1981, yet almost 50 percent of the companies who qualify for the credit are not aware it exists. TMAC and the R&D Tax experts from SourceCorp performed an assessment to estimate what amount of tax credit DIAB qualifies for. The activities and costs (wages, supplies and contractors) that qualify for the tax credit include engineering effort, new product design, patent expense, formula development, lab testing, technical discussions, Value Stream Mapping, Rapid Improvement Events, SMED and experimentation. Training workshops do not qualify for the credit. SourceCorp interviewed a DIAB manager to estimate the percent of time each DIAB employee spent on R&D and/or Lean-Six Sigma. Supply and contractor fees (e.g., TMAC) were identified in the accounting system. The actual tax credit was calculated for the current year plus all open tax years. Tax forms and supporting documentation were prepared by SourceCorp and provided to DIAB's Controller and CPA to file amended tax returns.

Results:

* Received \$280,000 in tax credit.

Testimonial:

www.mep.nist.gov



NIST is an agency of the U.S. Department of Commerce

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"I appreciate Tom Pryor of TMAC making us aware of the tax credit and introducing us to Jennifer Chin of SourceCorp."

Tom Stockton, CPA